

Acting Health and Senior Services Commissioner Mary O'Dowd
Assembly Budget Committee Testimony
Thursday, April 14, 2011

Good Morning Chairman Greenwald, Vice Chairman Schaer, Assemblyman O'Scanlon and members of the Committee.

Thank you for the opportunity to appear before you today to discuss the Department of Health and Senior Services proposed budget for Fiscal Year 2012. If I may, I would like to introduce my team.

Joining me are:

- John Fasanella, Director of the Division of Management and Administration
- Dr. Tina Tan, Acting Deputy Commissioner for Public Health Services and State Epidemiologist
- Christopher Rinn, Assistant Commissioner for the Division of Public Health Infrastructure, Laboratories and Emergency Preparedness
- Kathleen Mason, Assistant Commissioner for the Division of Senior Benefits and Utilization Management
- Bill Conroy, Acting Deputy Commissioner for Health Systems and Senior Services

I am honored and humbled that Governor Chris Christie has entrusted me with such an important responsibility as Acting Commissioner to protect the public health of the residents of New Jersey, to ensure quality health care for all and to support our seniors with the services they need to live with independence and dignity.

The Department's proposed \$1.3 billion spending plan uses the Governor's directive to institute zero-based budgeting to impose fiscal discipline with a \$9.1 million reduction in spending. It also ensures the Department's ability to fund core priorities including hospital funding, continued rebalancing of long-term care for seniors, Federally Qualified Health Centers and Early Intervention Services. The proposed budget also preserves funding for PAAD and Senior Gold for our seniors. But this budget also makes tough choices.

Hospital Funding

I'd like to highlight some of the areas where we have increased funding, the first of which is our hospitals. Despite fiscal challenges, the budget prioritizes hospitals—and recognizes their role as part of the state's healthcare safety net—by increasing funding a total of \$40 million: \$10 million for Charity Care and \$30 million for Graduate Medical Education. This represents a net increase of \$20 million when the full year impact of removing the cap on the hospital assessment is considered.

In total, the proposed budget includes \$675 million for charity care, \$166 million for the Hospital Relief Subsidy Fund, \$90 million for Graduate Medical Education and \$30 million for the Health Care Stabilization Fund.

As an example of the Christie Administration's commitment to budget reform, the Departments of Health and Senior Services and Human Services worked together for months and incorporated some of the key recommendations from New Jersey hospitals into revised formulas for Charity Care, the Hospital Relief Subsidy Fund and Graduate Medical Education. These reforms improve the state's annual distribution of hospital funding by making it more transparent, predictable and equitable.

For the first time ever, all three funding formulas were available in a comprehensive way to both the hospitals and the Legislature in February, rather than in June and July. This increased transparency in hospital funding allows the Legislature to make informed decisions and hospitals to plan more effectively.

EIS

Another area in which we were able to enhance funding is Early Intervention Services. Funding for this program increased 21 percent or nearly \$17.6 million for a total of over \$100 million. This program supports families with children from birth to age 3 who are in need of speech, physical therapy or other services necessary to achieve their full potential. This broad array of services is coordinated with other state agencies through a referral system that includes, for example, the Commission for the Blind and Visually Impaired in the Department of Human Services.

PAAD

The budget also fully funds PAAD and Senior Gold without increases in co-pays or changes in eligibility. New Jersey's PAAD program remains one of the nation's most generous senior pharmaceutical assistance programs.

In addition, the state continues to achieve savings by coordinating with the federal government on its Medicare Part D drug assistance program.

SNAP

To further enhance aid to our seniors, the Department is using our PAAD enrollment files to increase awareness of the Garden State Supplemental Nutrition Assistance Program or SNAP in the Department of Human Services. We believe there are thousands of low-income seniors who could be eligible for food assistance, but may not be aware of it. This PAAD data is being shared with the counties to simplify the application process. Again, our Departments are working together to ensure appropriate services and programs reach those most in need, while also achieving efficiencies.

Rebalancing

As the Department moves forward with plans to reform our portion of the Medicaid program, our guiding principle is to decrease institutionalization by increasing access to

home and community based services—also known as "rebalancing." The Department's goal is to provide New Jersey seniors with the ability to safely age at home.

To further this commitment the Department's proposed budget includes a \$47.6 million increase for our Global Options program. This will enhance our ability to transition seniors from nursing homes back into home and community-based services.

The Department's first step toward reform will be to continue the expansion of services into managed care, specifically medical day care. This will provide for improved case management for clients participating in this program by incorporating medical day care into the full continuum of services offered by our managed care organizations. The state's experience with managed care has demonstrated that the system can work to improve health outcomes for our residents while producing cost savings.

An important part of our Medicaid reform plan is stakeholder input. The Department has both formal and informal ways to solicit feedback from health care providers and advocates. Our collaboration with the Medicaid Long-Term Care Funding Advisory Council dates back to 2006. This group, also known as the MAC, is comprised of representatives from both the public and private sectors including the AARP, county offices on aging, adult medical day care providers, home care providers and long-term care facilities. We are committed to this partnership with the MAC and will continue to collaborate with providers, advocates, and community partners throughout the development and implementation process.

Nursing Homes

I've highlighted the areas in which we have been able to increase funding and improve services. But, we've also had to make very difficult decisions in preparing this budget.

Nursing homes are an important partner in caring for our aged and disabled loved ones. We recognize and appreciate the vital role that they play in our communities and as an economic engine for our state.

Growth in New Jersey's Medicaid program coupled with a loss of federal funds resulted in a \$1.4 billion reduction in the state's overall Medicaid budget. Medicaid funding for nursing homes represents nearly half of our Department's overall budget so it is very difficult to make cost reductions without affecting these facilities.

Although nursing homes have not seen significant increases in their budgets over the last few years, they have also not seen reductions in their rates despite these difficult times.

This year, in order to achieve savings, it was necessary to propose an across the board reduction in payments to nursing homes of less than 3% for a total state savings of \$25 million.

Let me stress that no nursing facility will lose more than \$10 per patient day from their Fiscal Year 2010 reimbursement rate as a result of the new nursing home rate setting

system. This reduction will be implemented in the most equitable way possible. It is also important to note that reductions will be made first in the administrative and operating component of the rate before there is any impact on direct nursing care.

FQHCs

Another important part of the health care continuum is our Federally Qualified Health Centers. Since 2004, the state and federal governments have invested nearly \$60 million in FQHCs to expand the number of sites, hours of operation and to add doctors, nurses and other health care staff.

However, due to the successful growth in this program, in order to stay within the budget, we must propose a rate reduction of \$9.65 per visit for the uninsured. Even with this reduction, it is important to recognize the State will spend \$41.8 million—which is an increase of \$1.8 million over last year—to support the care of the uninsured in our FQHC's. In fact, the Kaiser Foundation ranks New Jersey second among states in our financial commitment to our community health centers.

Recognizing this reduced reimbursement provides a challenge for these centers, the Department will continue to work with the New Jersey Primary Care Association to discuss ways that the state can be helpful in reducing administrative costs. In addition, we will continue to partner with them to improve their overall financial status.

In closing, I want to thank you again for this opportunity to discuss the Department's proposed budget. We have reduced spending while at the same time preserving our core mission.

I look forward to working with you on continued improvements to some of these initiatives.

And now I would be happy to answer your questions.